

## Message Text

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TO AMEMBASSY BONN IMMEDIATE

INFO AMEMBASSY TEHRAN PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, EEC, IR

SUBJECT: EC-IRAN PREFERENTIAL ASSOCIATION: FURTHER  
REPRESENTATION

REFS: (A) TEHRAN 10154 (12/1/74); (B) EC BRUSSELS 1199

FOR HARTMAN AND SONNENFELDT AND S/S

1. BACKGROUND: THE EC COMMISSION AND UK OFFICIALS HAVE REQUESTED ON NUMEROUS OCCASIONS THAT THE USG MAKE ITS OPPOSITION TO PROPOSED EC-IRAN TRADE PREFERENCES KNOWN TO SENIOR IRANIAN OFFICIALS. THE COMMISSION WELCOMES SUPPORT IN ITS OWN EFFORTS TO AVOID A TROUBLESOME PREFERENTIAL AGREEMENT WITH IRAN. THE UK, WHICH QUIETLY OPPOSES SUCH PREFERENCES, WOULD LIKE THE USG TO MAINTAIN THE LEAD IN OPPOSING DISCRIMINATORY TYPES OF PREFERENTIAL TREATMENT FOR IRAN PROPOSED BY THE FRG (LIMITED TO EC IMPORTS OF LIMITED OFFICIAL USE

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OFFTAKE FROM PROPOSED GERMAN-IRANIAN REFINERY) AND BY

DENMARK (PATTERNED AFTER EXISTING PREFERENTIAL TRADE ASSOCIATIONS WITH MEDITERRANEAN COUNTRIES). REVERSAL OF FRENCH OPPOSITION TO PROLIFERATION OF EC PREFERENCES TO INCLUDE IRAN OCCURRED DURING A DECEMBER 1974 VISIT BY PM CHIRAC TO TEHRAN. RISK OF THE DANISH PROPOSAL SUCCEEDING IS INCREASED BY THE ADDITION OF FRANCE TO LIST OF EC MEMBERS EITHER FAVORING OR NOT OPPOSING SOME

FORM OF PREFERENCES FOR IRAN.

2. ACTING ON INSTRUCTIONS FROM EC COUNCIL, THE EC COMMISSION WILL SOON BEGIN EXPLORATORY TALKS WITH IRANIAN OFFICIALS TO CLARIFY GOI INTERESTS IN THE FORM AND SUBSTANCE OF A NEW RELATIONSHIP WITH THE EC (REF B). PAST INDICATIONS, INCLUDING REPORTED PRESSURES PUT ON PM CHIRAC AND PRESIDENT LEONE DURING SEPARATE DECEMBER VISITS TO TEHRAN, SUGGEST THAT THE GOI INTENDS TO SECURE PREFERENTIAL TREATMENT ALONG THE LINES OF EXISTING EC ASSOCIATIONS WITH MEDITERRANEAN COUNTRIES. IN RESPONSE TO THE U.S. REPRESENTATION AGAINST PREFERENCES MADE TO MINISTER OF ECONOMIC AFFAIRS AND FINANCE ANSARY ON NOVEMBER 30 (REF A), ANSARY ARGUED THAT IRAN SHOULD NOT BE SINGLED OUT IN TERMS OF U.S. OPPOSITION TO EC PREFERENCES. ANSARY FOUND NO LOGIC IN THE PATTERN OF EC PREFERENCES WHICH WOULD BE THE BASIS FOR EXCLUDING IRAN.

3. RECOMMENDATION: WE THINK IT WOULD BE USEFUL FOR YOU OR OTHERS IN YOUR PARTY TO RAISE THE EC-IRAN ISSUES IN YOUR DISCUSSIONS WITH IRANIAN OFFICIALS. FIRST, REPRESENTATIONS STRESSING THE GENERAL CHARACTER OF OUR OPPOSITION TO A PROLIFERATION OF DISCRIMINATORY EC PREFERENCES WOULD RESPOND TO GOI CONCERN THAT THE USG IS SINGLING OUT IRAN BY OPPOSING THE CONCLUSION OF A PREFERENTIAL IRANIAN RELATIONSHIP WITH THE EC. SECOND, THEY WOULD SERVE TO STRENGTHEN EC COMMISSION AND UK RESOLVE TO AVOID, IF AT ALL POSSIBLE, A FURTHER PROLIFERATION OF EC PREFERENCES.

4. FOLLOWING TALKING POINTS ARE SUGGESTED:  
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-- THE UNITED STATES WELCOMES GENERALLY THE STRENGTHENING OF CLOSE AND FORMAL ECONOMIC RELATIONS BETWEEN IRAN AND THE EC BUT WE WOULD OBJECT TO ANY APPROACH TO SUCH RELATIONS WHICH CREATES NEW TRADE DISCRIMINATION AGAINST U.S. SUPPLIERS OR WHICH WEAKENS THE INTERNATIONAL TRADING FRAMEWORK.

-- EC TRADE AGREEMENTS WITH MEDITERRANEAN AND OTHER DEVELOPING COUNTRIES HAVE BEEN, WITH FEW EXCEPTIONS, THE OUTGROWTH OF COLONIAL TRADING TIES.

-- ACCORDINGLY, THE PROLIFERATION OF EC PREFERENTIAL AGREEMENTS TO INCLUDE IRAN WOULD BE A NEW AND IMPORTANT DEROGATION FROM THE PRINCIPLES OF NON-DISCRIMINATORY TRADE UPON WHICH THE TRADING SYSTEM RESTS. ALSO, APART FROM COMMERCE, PREFERENCES HAVE POLITICAL DRAWBACKS

SINCE FOR EVERY COUNTRY FAVORED, MANY OTHER TRADING PARTNERS ARE NECESSARILY OFFENDED. (WE HAVE HAD OUR OWN EXPERIENCE WITH THIS AS A RESULT OF CONGRESSIONAL STIPULATIONS RESTRICTING ELIGIBILITY FOR GENERALIZED PREFERENCES.)

-- WE INVITE IRAN TO JOIN THE UNITED STATES IN PURSUIT OF SUCCESSFUL MULTILATERAL TRADE NEGOTIATIONS WHICH WOULD LESSEN THE SIGNIFICANCE OF EXISTING PREFERENCES.

-- WE WISH TO MAKE CLEAR THAT WE WOULD HAVE NO OBJECTION TO A NON-DISCRIMINATORY ECONOMIC ASSOCIATION BETWEEN IRAN AND THE EC. INGERSOLL

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